

DAILY MARKET ANALYSIS 01-08-2022

DXY is down for the fourth straight day and trading at new lows for this move near 105.43, the lowest since July 5. We maintain our strong dollar call and believe that markets are misreading the Fed's commitment to lowering inflation. However, the greenback is unlikely to get much traction in the absence of any strong economic data. This week's U.S. data will be key for the medium-term dollar outlook.

Stocks

Some volatility is seen in currencies but there are important supports and resistances near current levels that need to hold else a reversal could be in place. Euro and Dollar Index continue to range within 1.01-1.03 and 106-109 while EURJPY has fallen sharply and can see a bounce from 136-135 region. Aussie is slowly rising towards 0.70/71 while Pound needs to break above crucial resistance at 1.22 to be able to move up further. Dollar Yen has fallen sharply and can bounce from 134. However an eventual fall to 132 cannot be negated. USDCNY is stuck within 6.72-6.77 while USDRUB has broken above 61 finally and can rise towards 65-70 now. USDINR can test crucial support at 79.60 which if holds can take it back to 80 else a break and close below 79.60 could be indicative of fresh bearishness. Watch price action near 79.60.

Currencies

- EUR/USD has regathered its bullish momentum and climbed above 1.0250 in the American session. The ISM Manufacturing PMI showed that the business activity continued to expand in July and price pressures eased significantly, not allowing the dollar to find demand
- GBP/USD has extended its daily rally and climbed above 1.2250. After the data from the US showed that the Prices Paid component of the ISM Manufacturing PMI survey declined to 60 in July from 78.5 in June, the dollar continued to weaken against its rivals
- USD/JPY The BoJ is clearly the outlier amongst its G10 peers. While all the others are gripped by a determination to dampen the inflation rate, the BoJ is attempting to nurture it. Having struggled with disinflationary and deflationary pressures for decades, Governor Kuroda sees an opportunity to finally create a virtuous cycle between wage inflation, demand and corporate profitability. Speculators have been disappointed that the BoJ has stuck to its hugely accommodative policy during the past few months.

Bonds

The US Treasury yields have declined sharply across tenors after the US GDP data release yesterday. The advance estimates showed that the US GDP fell 0.9%, thereby technically running into a recession. The 10Yr has a crucial support coming up which we expect to hold and produce a bounce. The German yields continue to fall and are



keeping our bearish view intact. The 10Yr Gol remain weak and can fall further. The 5Yr Gol looks vulnerable to break its range on the downside and fall.

Commodities

Gold futures moved higher by over \$12, and this meant that they moved from the lower part of my previous target area to its upper part. In other words, it remained within the target area, which means that it kept doing what was – in my view – the most likely course of action for this particular market.

Up Ahead –Tuesday 02-08-2022

- 📍• AUD RBA Rate Statement
- USD JOLTS Job Openings

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